NAFTA Governments Statement on Raw Materials
OECD Steel Committee Workshop on Steel and Related Raw Materials
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Introduction

Over the last several years, the NAFTA governments (the governments of Canada, Mexico and the United States) have been active in bringing to the attention of the Members of the OECD Steel Committee trade issues of concern not only to the North American steel industry, but to the global industry as a whole. Within this context and that of the profound economic changes that have occurred recently in international markets, the NAFTA governments wish to express their concerns regarding government actions that impede trade and distort investment in steelmaking raw materials.

Issue

Many countries have imposed measures to restrict, or otherwise limit, trade in raw materials, often in direct response to similar measures taken by neighbouring countries. The proliferation of such measures has caused great uncertainty and price volatility in global markets for affected materials.

While the current economic downturn has led to significant downward pressure on demand for steel and steelmaking raw materials, many analysts agree that the demand for steel and steelmaking raw materials will continue to rise in the medium to long-term, particularly in the developing world. As global consumption and production continue to increase, NAFTA governments are concerned with the possibility that governments will act to control the supply of steelmaking raw materials in ways that can dislocate normal market mechanisms, and lead to distortions in trade flows and prices of steelmaking raw materials on the global market. Examples of government interventions in this area include, but are not limited to quotas, taxes, export and import licensing systems or other manipulations of imports and exports, and/or the government subsidization of new facilities. One consequence of government actions that restrict trade in steelmaking raw materials is to provide domestic steel producers with a competitive advantage.

Trade and Investment Effects

Government intervention in trade and investment in steelmaking raw materials is a significant cause of trade distortions in the global steel sector. Restrictions and taxes on exports of raw materials, for example, often create artificial advantages for steel producers in the country that imposes them; the effect of such measures is to increase the domestic supply of raw materials, thereby lowering domestic prices while increasing the prices paid by foreign competitors for the same materials on world markets. Lower domestic prices for raw materials reduce incentives for domestic commodity producers and steel producers to invest and modernize, thereby reducing their long-term competitiveness. Promoting the inefficient use of raw materials through the artificial suppression of domestic prices can also lead to environmental degradation.

While current World Trade Organization rules differentiate the disciplines on export prohibitions or quotas from those imposed on measures such as export taxes, minimum price schemes, export and import licensing systems and certain other administrative mechanisms, the latter group of measures can be as restrictive as those more broadly prohibited.

Statement of Joint Principles

NAFTA Governments call on the governments of all steel producing countries to refrain from the use of administrative measures to control or otherwise influence exports and/or imports of steelmaking raw materials. Administrative measures applied to trade in steel raw materials should not be used as disguised impediments to trade, and should be administered in a transparent, objective and predictable manner.